

## Paradigm BioCapital Advisors LP

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This Brochure provides information about the qualifications and business practices of Paradigm BioCapital Advisors LP (“**PBCA**”, the “**Firm**”, or the “**Investment Manager**”). If you have any questions about the contents of this Brochure, please contact David K. Kim, PBCA’s Chief Compliance Officer (“**CCO**”) at [David@paradigmbiocapital.com](mailto:David@paradigmbiocapital.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Registration of an investment adviser does not imply any level of skill or training. Additional information about PBCA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to Paradigm BioCapital Advisors LP as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.

**Item 2: Material Changes**

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The rules promulgated under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) require the Adviser to identify and discuss any material changes made to this Form ADV Part 2A (the “**Brochure**”) since its most recent annual update. The last update for this Brochure was filed by PBCA with the SEC on March 30, 2022. There have been no material changes since the last filing.

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**Item 4: Advisory Business**

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Paradigm BioCapital Advisors LP (“**PBCA**”, the “**Firm**” or the “**Investment Manager**”) is a Delaware limited partnership that was formed in July 2020. The general partner of PBCA is Paradigm BioCapital Advisors GP LLC (“**PBCAGP**”). Dr. Senai Asefaw (the “**Principal**”) is the managing member and principal owner of PBCAGP.

PBCA provides investment advisory services to private funds via a master-feeder structure, whereby Paradigm BioCapital Partners Fund, LP (the “**Domestic Fund**”), a Delaware limited partnership, and Paradigm BioCapital Partners Fund, Ltd. (the “**Offshore Fund**”) a Cayman Islands exempted company together with the Onshore Fund, the “**Feeder Funds**”, invest substantially all of their assets in Paradigm BioCapital International Fund Ltd. (the “**Master Fund**”), a Cayman Islands exempted company. Unless otherwise specified, the Domestic Fund, the Offshore Fund and the Master Fund are each referred to as a “**Fund**” and collectively, as the “**Funds**”. Additionally, PBCA manages one separately managed account on a discretionary basis pursuant to an Investment Management Agreement with the underlying investor (the “**SMA**”).

Hereinafter, where applicable, the Funds and the SMA are collectively referred to as the “**Clients**”.

PBCA manages the Funds pursuant to investment guidelines set forth in the relevant governing and offering documents of the Funds, including any limited partnership agreement, investment management agreement, private placement memorandum and/or subscription agreement (each an “**Offering Document**”, and collectively, the “**Offering Documents**”). The Offering Documents contain more detailed information about the Funds, including a description of the investment objective and strategy or strategies employed by the Funds and related restrictions that serve as a limitation on PBCA’s advice or management.

PBCA will not tailor its advisory services to the individual investors in the Funds (each an “**Investor**” and collectively the “**Investors**”), or provide Investors with the right to specify, or restrict the Funds’ investment objectives or any investment or trading decisions. Accordingly, an investment in a Fund does not create a client-adviser relationship between such Investors and PBCA. Each of the Funds are expected to rely on the exception from the definition of an “investment company” provided by Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended (the “**1940 Act**”). Each Investor is strongly encouraged to undertake appropriate due diligence, including but not limited to a review of relevant Offering Documents and the additional details about PBCA’s investment strategies, methods of analysis and related risks (as discussed in Item 8 of this Brochure and each Fund’s Offering Documents) in considering whether PBCA’s advisory services, or an investment in a Fund are appropriate to its own circumstances, based on all relevant factors including, but not limited to, the Investor’s own investment objectives, liquidity requirements, tax situation and risk tolerance before making an investment decision.

The general partner of the Onshore Fund and Master Fund is Paradigm BioCapital GP LLC (the “**General Partner**”), a Delaware limited liability company. The General Partner has ultimate responsibility for decisions relating to management and operations made on behalf of the Domestic Fund and the Master Fund and has ultimate responsibility for the investment decisions made on behalf of the Master Fund but has delegated certain responsibilities to PBCA.

Additional detailed information about PBCA is provided below, including information about PBCA’s advisory services, investment approach, personnel and affiliations.

PBCA does not participate in wrap fee programs.

PBCA currently provides discretionary investment advisory services to the Clients with a total of \$933,207,592 in regulatory assets under management.

**Item 5: Fees and Compensation**

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As an investment adviser to the Funds, as further described in the Offering Documents, PBCA receives an annual management fee generally equal to 1.5%. The management fees are paid by the Master Fund monthly in advance on the first day of each month, depending upon the net asset value of the Funds and each particular investment by an Investor in the Funds. Management fees are generally pro-rated for partial periods. Once paid, management fees are non-refundable.

The Firm or its affiliates may reduce, waive or calculate differently the management fee for certain Investors, including but not limited to, members, employees and affiliates of PBCA.

***Other Fees and Expenses***

The Feeder Funds will bear their own expenses and their pro rata share of the Master Fund's expenses, including, without limitation, Operating Expenses (as hereinafter defined) and Organizational Expenses (as hereinafter defined), and shall reimburse PBCA, the General Partner or any of their respective affiliates for any Operating Expenses and Organizational Expenses incurred by such persons.

***Organizational and Initial Offering Expenses***

The Feeder Funds will pay or reimburse PBCA, the General Partner, and/or affiliates of PBCA for all organizational and initial offering expenses of the Funds, including, but not limited to, legal and accounting fees, printing and mailing expenses and government filing fees (including "blue sky" filing fees). The Funds' organizational and initial offering expenses may be, for accounting purposes, capitalized and amortized by the Funds for up to 60 months from the date the Funds commence operations. Amortization of such expenses is a divergence from U.S. generally accepted accounting principles ("GAAP"). In certain circumstances, this divergence may result in a qualification of the Funds' annual audited financial statements. In such instances, the Funds may elect to: (i) avoid the qualification by recognizing the unamortized expenses, or (ii) make GAAP-conforming changes for financial reporting purposes, but capitalize and amortize expenses for purposes of calculating the Funds' Net Asset Value (resulting in a divergence in fiscal year-end Net Asset Values reported in the Funds' financial statements, and as otherwise applicable under the provisions of the Offering Documents). If the Funds capitalize and amortize such expenses and are then terminated within 60 months of their commencement, any unamortized expenses will be recognized. If an Investor in a Fund makes a withdrawal prior to the end of the period during which the particular Fund is capitalizing and amortizing expenses, the Fund may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the amount being withdrawn and reduce withdrawal proceeds accordingly.

***Operating Expenses***

Each Fund will incur its own expenses. The expenses and results of operations of the Master Fund will be allocated to the Feeder Funds and the other Investors in the Master Fund, in proportion to the capital accounts of the Feeder Funds and such other investors in the Master Fund, from time to time.

The Funds will pay or reimburse PBCA, the General Partner, and/or affiliates of PBCA for: (i) all expenses incurred in connection with the ongoing offer and sale of interests, including, but not limited to, printing of the Offering Documents and exhibits, marketing expenses and documentation of performance and the admission of Investors, (ii) all operating expenses of the Funds, such as tax preparation fees, governmental fees and taxes, administration fees paid to the Fund Administrator providing services to the Funds, costs of communications with Investors, and ongoing legal, accounting, auditing, bookkeeping, consulting and other professional fees and expenses, (iii) all research, trading and investment-related costs and expenses (e.g., brokerage commissions, research fees, margin

interest, expenses related to short sales, custodial fees, bank service fees, and clearing and settlement charges) of the Funds, (iv) technology-related costs and expenses, including, but not limited to, software licenses, data feeds and colocation expenses, (v) all expenses related to attending any conference or seminar related to alternative investments (e.g., registration, transportation, accommodation or meal expenses), (vi) regulatory and other filing fees and expenses, and compliance costs and expenses of the Funds, including, but not limited to, all fees and expenses incurred by the PBCA and/or its affiliates directly in connection with examinations by the SEC and other regulatory authorities that are attributable to the Funds, as well as fees and expenses associated with the completion of regulatory filings that are attributable to the Funds (including, without limitation, Form PF filings), (vii) travel expenses related to meeting with management teams, or related to any of the other categories of expenses set forth herein, (viii) any costs and expenses incurred by the Funds in connection with converting from a “feeder fund” as part of a master-feeder structure into a stand-alone fund, (ix) director and officer liability insurance or other insurance premiums for any principal or employee of the Funds, PBCA, the General Partner, or any affiliates of PBCA, (x) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims, assertion of rights or pursuit of remedies, by or against the Funds, including, without limitation, professional and other advisory and consulting expenses, and (xi) any and all costs and expenses incurred in connection with the dissolution, winding-up, or termination of one or more of the Funds.

Each of PBCA, the General Partner, or any affiliates of PBCA, in its sole discretion, may from time to time pay for any of the foregoing expenses of the Funds. Any such person may elect to be reimbursed for such expenses, or to waive its right to reimbursement for any such expenses, as well as terminate any such voluntary payment or waiver of reimbursement.

### **PBCA's Expenses**

PBCA or their affiliates will pay their own general operating and overhead expenses associated with providing the management and investment management services required under the Offering Documents. These expenses include all expenses incurred by the PBCA in providing for their normal operating overhead, including, but not limited to, the cost of providing relevant support and administrative services (e.g., employee compensation and benefits, rent, office equipment, computer systems, insurance (other than as expressly set forth above), utilities, telephone, secretarial and bookkeeping services, etc.), but not including any operating expenses of the Funds described above.

PBCA may use “soft dollar” commissions or rebates by brokerage firms of commissions generated by the Funds’ brokerage transactions executed through those firms to pay for certain brokerage and research products and services that fall within the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”).

If any of the expenses listed above are incurred jointly for the account of the Feeder Funds (or the Master Fund) as well as for any other accounts, such expenses will be allocated among the Feeder Funds (or the Master Fund) and such other accounts in proportion to their respective net asset values, based on the amount invested in a position or in such other manner as PBCA considers fair and equitable, in its sole discretion.

The Funds do not have a pre-determined limit on their ordinary or extraordinary operating expenses. Each Fund’s actual annual operating expenses will be disclosed in each Fund’s year-end audited financial statements, which are provided to each Investor in the particular Fund.

PBCA has adopted policies and procedures intended to address trade errors to ensure that the Funds are treated fairly. Subject to any contractual limitations set forth in each Fund’s Offering Documents, PBCA has discretion to resolve a particular error in a manner that it deems appropriate and consistent with PBCA’s policies and procedures.

For information on the Firm's brokerage and transaction costs, please see "Item 12 – Brokerage Practices."

### **Item 6: Performance-Based Fees and Side-By-Side Management**

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PBCP generally receives performance-based compensation from its Clients pursuant to the Offering Documents of the Funds and the Investment Management Agreement of the SMA.

For the Funds, the General Partner will receive an annual performance allocation ("**Performance Allocation**") at the close of each fiscal year (or other relevant period referred to below, as the case may be) equal to 20% of the Funds' net income (including realized and unrealized gains and losses and net of the Management Fee) attributable to each Investor's capital account for such fiscal year (or other applicable period).

Upon any withdrawal by an Investor, whether voluntary or involuntary, the Performance Allocation will be allocated with respect to the amounts withdrawn. The Performance Allocation will also be allocated upon dissolution of one or more of the Funds.

The General Partner, in its sole discretion, may waive or reduce the Performance Allocation with respect to one or more Investors (including with respect to PBCA affiliates) for any period of time, or agree to modify the Performance Allocation for that Investor.

The Performance Allocation is subject to what is commonly known as a "high water mark" provision. That is, if an Investor's capital account has a net loss in any fiscal year (or other relevant period, as applicable), this loss will be recorded and carried forward as to such capital account to future fiscal years (or other relevant periods) (such amount is referred to as the "**Loss Carryforward**"). The General Partner will not receive the Performance Allocation with respect to an Investor's capital account in any future fiscal year (or other relevant period) until the Loss Carryforward amount for such capital account has been recovered. Once the Loss Carryforward has been recovered, the Performance Allocation will be based on the excess profits (over the Loss Carryforward amount) as to such capital account, rather than on all profits. When an Investor withdraws capital, any Loss Carryforward will be adjusted downward in proportion to the withdrawal. The General Partner may agree with any Investor to apply a different Loss Carryforward provision for such Investor.

Certain Investors in the Funds may have a higher management fee or Performance Allocation than other Investors. When PBCA manages more than one Fund or client account, a potential exists for one Fund or client account to be favored over another Fund or client account. PBCA and its investment personnel have a greater incentive to favor a Fund or client account that pays PBCA or the General Partner (and, indirectly, its investment personnel) higher management fees or incentive allocations.

However, PBCA has adopted policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple Funds or client accounts, including accounts with different fee arrangements and the allocation of investment opportunities. PBCA reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. It is PBCA's general policy to trade the portfolios of all Funds and client accounts on a *pari passu* basis based on relative capital (subject to the use of leverage in the portfolios of certain Funds). However, allocations may be made on a basis other than pro rata for a number of reasons, including, but not limited to: a particular Fund's or client account's investment guidelines and restrictions; available cash; liquidity requirements; tax or legal reasons; to avoid odd lots; or in cases in which such an allocation would result in a de minimis allocation to a Fund or client account.

### **Item 7: Types of Clients**

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Currently, PBCA provides investment advice to the Funds and the SMA. Each of the Funds set forth the eligibility criteria and minimum investment requirements for Investors. Initial and additional subscription minimums are disclosed in the Offering Documents for each Fund, which may be waived at the discretion of PBCA.

Each Investor generally must be (i) an “accredited investor”, as defined in Regulation D under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and (ii) a “qualified client”, as defined in the Advisers Act. The subscription agreement contains representations and questionnaires relating to these qualifications.

The minimum initial investment that will be accepted from a prospective Investor into the Feeder Funds is \$1,000,000. The minimum additional capital contribution that will be accepted from an existing Investor is \$250,000. In each case, PBCA has discretion to accept lesser amounts.

In addition to providing investment management services to the Funds, PBCA may advise other clients in the future that may include additional private funds or separately managed accounts.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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### ***Investment Objective***

PCBA's investment objective in managing the Clients is to seek attractive risk-adjusted returns for the Investors by investing in a diversified portfolio of various healthcare and therapeutics-related investments.

For the purposes of this Item 8, the SMA should also be considered to have the same investment strategy and risks as the Funds.

### ***Investment Strategy***

PBCA intends to seek to achieve the investment objective of the Funds through, among other things, rigorous fundamental research.

Three fundamental tenets will generally drive PBCA's overall strategy:

1. *Innovation in Biotechnology*: The culmination of the Human Genome Project in 2003 laid the foundation for a wave of innovation in the life sciences. A decade later, the scientific advances began to translate into the clinic with a surge in novel therapeutics. This has led to strong outperformance by the biotechnology sector in the past decade and has driven capital and talent inflows into company formation. PBCA believes that this virtuous cycle continues unabated with a large and growing proportion of important novel drugs originating in the small and mid-cap biotechnology sector. PBCA's core strategy is to invest in companies developing such “paradigm shifting” drugs as soon as there is a proof of concept and accrue substantial gains for investors while minimizing risk.
2. *Sector Volatility and Idiosyncratic Stock Movements*: PBCA believes that the biotechnology sector is characterized by volatility driven by sentiment extremes and idiosyncratic stock movements based on clinical and regulatory updates. This should provide sector specialists opportunities to identify investments with asymmetric risk/reward profile. PBCA intends to seek such opportunities on a selective basis with an emphasis on sentiment-based volatility.
3. *Risk Management*: Traditional biotechnology investing has focused on the “catalyst calendar” of several hundred important clinical and regulatory updates that drive large movements in stocks. PBCA intends to discriminate in investing ahead of such “binary” events and focuses on a limited

number of situations where there is unusual conviction based on differentiated scientific or medical insights and otherwise opts to invest after the catalyst. PBCA believes that prioritizing capital preservation and avoiding investments with significant risk of capital loss assiduously optimizes returns, as well as reduces risk and volatility.

In furtherance of the aforementioned principles, PBCA seeks to identify individual investments representing high conviction, fundamental long and short positions. The time horizon for long investments may range from a few months to up to 24 months depending on the specific investment thesis.

PBCA may utilize leverage (including margin loans) on behalf of the Funds to achieve its investment objective. Short selling is also expected to be an important component of PBCA's investment strategy.

### ***Investment Process***

PBCA intends to invest the assets of the Funds globally in companies of all market capitalizations, primarily through investments in equity securities, ADRs, U.S. and non-U.S. listed options, total return and equity swaps (including basket), and exchange-traded funds ("**ETFs**"). PBCA may also invest the Funds' assets in debt securities, convertible securities, options and warrants of these companies.

PBCA anticipates that the investment universe for the Funds will include approximately 350 companies in the innovative biotechnology sector. PBCA's investment team will closely monitor the progress and execution of this group of companies, as well as the broader context of treatments in development to identify opportunities to deploy the investment strategy. Investment ideas are primarily generated internally from this monitoring process. In addition, ideas may be sourced externally and subsequently vetted through the internal security selection process.

Security selection for the portfolio will be based on fundamental analysis. This includes quantitative and qualitative scientific and medical due diligence, interviews with management teams and competitors, discussions with medical and industry experts, and detailed review of a company's financial statements and review of its strategy and capital position.

### ***Portfolio Construction and Risk Management***

In managing the Funds, PBCA intends to construct a portfolio that leverages the opportunities identified from the investment process. Portfolio construction is expected to focus on risk management and balancing exposures. Risk will be quantified and managed at both the position and portfolio level.

Position-level risk management will focus primarily on sizing. Where appropriate, options may be used in lieu of equity to seek to minimize the probability that large losses will develop. All positions are expected to be tracked, and, at certain pre-specified levels, the investment thesis will be re-examined; if the original thesis is flawed, a position exit may be triggered or a potential further buying opportunity may be identified. For short positions, levels will be established to trigger partial liquidation.

Portfolio-level risk management seeks to manage aggregate risks of the portfolio, such as: (a) net and gross exposures, and (b) long and short exposures relative to the specific profile of the investments.

As set forth above, PCBA may utilize leverage in managing the Funds in an effort to realize greater profits from its security selection. The Funds may make use of leverage by: (a) borrowing money against long positions in order to purchase additional long positions, and (b) borrowing securities and shorting those securities in the market. The portfolio-level net exposure will generally be a result of fundamentally driven security selection and not the view of the overall market. However, market levels relative to trends will help guide net exposures.

**Summary of Material Risks**

There can be no assurance that PBCA's investment objective in managing the Funds will be achieved, and that the Funds will not incur losses. The risks described below are not meant to be a comprehensive collection of all risks with which the Funds will be confronted. Each Investor is also encouraged to consult with PBCA to review the specific risk parameters of, and assets that comprise, each Fund at any given time and from time to time.

***Risk of Loss Factors***

Investing in securities involves risk of loss that investors should be prepared to bear. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Each Fund's Offering Documents provides a detailed description of the risks of investing in the Funds.

***Limited or Lack of Operating History***

PBCA and the Funds are recently formed entities and have little or no operating history upon which prospective investors may evaluate the Funds' future performance. Although the Principal has experience with investments of the type the Funds intend to make, any prior performance of the Principal or PBCA is not necessarily indicative of results that they may achieve with respect to the Funds. As such, there can be no assurances that PBCA will be able to implement its investment strategy for the Funds, or achieve its investment objective for the Funds.

***Reliance on the Principal***

The success of the Funds depends in large part upon the skill, knowledge, judgment, experience and expertise of the Principal to develop and implement investment strategies that achieve the Funds' investment objective. There can be no assurance that the Principal will continue to be associated with the Funds or the Investment Manager. In the event the Principal ceases to devote sufficient time to the management of the Funds, in its reasonable judgment, determines necessary to accomplish the purposes of the Funds, there might be an adverse effect on the Funds.

***Dependence on Service Providers***

PBCA relies on service providers for certain aspects of their business, including certain financial operations, trade related activity, IT infrastructure and systems, trade reconciliation, and margin and collateral movement. PBCA does not control or direct these service providers and have limited transparency into such businesses' day-to-day operations. Any interruption or deterioration in the performance of such service providers could impair the quality of PBCA's operations, negatively impact its and the reputation of the Funds and the investment strategies of the Funds, limit the Funds' potential to grow, and ultimately expose the Investors to losses.

***Limited Liquidity of Interests***

An investment in the Funds involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for the interests in the Funds, and no market is expected to develop. Additionally, transfers are subject to the consent of PBCA or the General Partner, which consent may be granted or withheld in PBCA's or the General Partner's sole discretion. Consequently, Investors will be unable to liquidate their interests except by withdrawing from the Funds in accordance with the Offering Documents of the Feeder Funds. Investors may be unable to liquidate their investment promptly in the event of an emergency or for any other reason. Although an Investor may attempt to increase its liquidity by borrowing from a bank or other institution, interests may not readily be

accepted as collateral for a loan. In addition, the transfer of an interest as collateral or otherwise to achieve liquidity may result in adverse tax consequences to the transferor.

A portion of the Master Fund's assets may be invested in securities and other financial instruments or obligations for which no market exists and/or which are restricted as to their transferability under federal or state securities laws. Because of the absence of any trading market for these investments, the Funds may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by the Funds. Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

### ***Lack of Registration***

The interests of the Funds have neither been registered under the Securities Act nor under the securities laws of any state and, therefore, are subject to transfer restrictions. In connection with an Investor's purchase of an interest, the Investor must represent that they are purchasing the interest for investment purposes only and not with a view toward resale or distribution. Neither the Funds nor PBCA or its affiliates have any plans or assumed any obligation to register the interests. Accordingly, the interests may not be transferred without documentation acceptable to the General Partner, which may include an opinion of counsel to the Funds that the transfer will not involve a violation of the registration requirements of the Securities Act or require registration by the Funds under the 1940 Act. These restrictions on transfer are in addition to those found in the Offering Documents. Ordinarily, this means that transfers will be restricted to instances of death, gift or passage by operation of law.

### ***No Guarantee of Return or Performance***

The obligations or performance of the Funds or the returns on investments in the Funds are not guaranteed in any way. Any losses of the Funds will be borne solely by Investors in the Funds. Ownership interests in the Funds are not insured by the Federal Deposit Insurance Corporation, and are not deposits, obligations of, or endorsed or guaranteed in any way, by any banking entity.

### ***Risk Associated with Information Used in the Research Process***

PBCA will select investments for the Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to PBCA by the issuers or through sources other than the issuers, including, but not limited to industry experts, political consultants, sell-side analysts and other third-party providers of data products and services. Data sources include among others, those commonly known as "traditional data," such as information from SEC filings and securities trading price and volume information, and "alternative data," which generally is understood to refer to data published by sources outside of the issuer or a trading venue that is used to draw insights about a particular issuer, industry or macroeconomic event. Alternative data sets can be compiled from various sources including, but not limited to financial transactions, mobile devices, social media, public records and the internet. Although PBCA will generally evaluate all such information and data and, when PBCA considers it is appropriate and when it is reasonably available, seek independent corroboration, PBCA is not in a position to confirm the completeness, genuineness or accuracy of all such information and data, and in some cases, complete and accurate data and information is not available. As a result, if PBCA draws incorrect conclusions based on its review of the information or data it is evaluating or if such information or data is inaccurate or otherwise not reliable, the Funds' investments may not perform as expected and the Funds may suffer a loss, including the cost of procuring such information or data, which is often relatively expensive.

In addition, while “alternative data” has become more readily available and mainstream over the last decade and is now generally available through data brokers, aggregators and other financial intermediaries specializing in providing such data to investors and analysts, such data is generally more expensive than traditional data sources and often less structured and therefore may be less reliable than traditional sources of data. In addition, laws and regulations applicable to the gathering, sale and use of such data, including those with respect to privacy, data security, intellectual property and computer fraud and abuse, are evolving quickly and sometimes in unexpected ways. The due diligence and contracting process for acquiring any such “alternative data” sets can therefore impose additional cost and uncertainty and some or all of a data set acquired at any one time may no longer be eligible for sale or use in the future, which could impair the usability or reliability of the data. PBCA endeavors to evaluate such data for compliant use, reliability and value before acquiring it, but given the complexity of the data analysis and uncertainty associated with the legal issues involved, PBCA may not always be successful, which could expose PBCA and the Funds to financial and legal risks.

### ***Withdrawal of Capital***

An Investor’s ability to withdraw funds from the Funds is restricted in accordance with the withdrawal provisions contained in the Offering Documents of the Funds in the section relating to withdrawal provisions. In addition, substantial withdrawals by Investors within a short period of time could require the Funds to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the Funds’ assets and/or disrupting the Funds’ investment strategy. Reduction in the size of the Funds could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Funds’ ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

### ***Master-Feeder Structure; Concentration of Investors***

The Feeder Funds invests all of its assets through the Master Fund. From time to time, other persons or entities also may invest in the Master Fund. The “master-feeder” fund structure presents certain risks to investors in the Feeder Funds. For example, a smaller feeder fund investing in a master fund may be materially affected by the actions of a larger feeder fund investing in the Master Fund. If a larger feeder fund makes a withdrawal from the Master Fund, the remaining feeder funds may experience higher *pro rata* operating expenses, thereby producing lower returns. In addition, the Master Fund will be a single entity, and creditors of the Master Fund may enforce claims against all assets of the Master Fund. Furthermore, a significant portion of a Feeder Fund may come from one or a few large Investors and any significant withdrawals thereof could have a material adverse effect on the other Investors in the Master Fund.

### ***Concentration of Investments***

PBCA implements its investment program in a manner which, in light of investment considerations, market risks and other factors, it believes will provide the best opportunity for attractive risk-adjusted returns in the value of the Funds’ assets. The Offering Documents do not formally limit the amount of a Fund’s assets that may be invested in a single company, security, country, industry, sector or asset class. The concentration of the Funds’ portfolio in any manner described above would subject the Funds to a greater degree of risk with respect to the failure of one or a few investments, or with respect to economic downturns in relation to an individual industry or sector, or single company, security, country, industry, sector or asset class.

### ***No Distributions***

Neither PBCA nor the General Partner intends to make distributions to the Investors, but intends instead to reinvest substantially all income and gain of the Funds, if any. Cash that might otherwise be available for distribution will also be reduced by payment of the Funds’ obligations, payment of Funds’

expenses (including fees payable and expense reimbursements to PBCA, the General Partner or their affiliates) and establishment of appropriate reserves. As a result, if the Funds are profitable, Investors in all likelihood will be credited with net income of the Funds, and will incur the consequent income tax liability (to the extent that they are subject to income tax), even though Investors receive little or no Fund distributions.

### ***Investment Expenses***

The investment expenses (e.g., expenses related to the investment and custody of the Funds' assets, such as brokerage commissions, custodial fees and other trading and investment charges and fees) as well as other Fund fees may, in the aggregate, constitute a high percentage relative to other investment entities. The Funds will bear these costs regardless of their profitability.

### ***Performance Allocation***

The Performance Allocation creates an incentive for PBCA to effect transactions in investments that are riskier or more speculative than would be the case in the absence of such an allocation. Additionally, since the Performance Allocation is calculated on a basis that includes unrealized appreciation of the Funds' assets, such allocation may be greater than if it were based solely on realized gains.

### ***Supervision of Trading Operations***

PBCA, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the Funds' accounts to ensure compliance with the objectives of the Funds. Despite PBCA's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in the Master Fund's account(s).

### ***Impact of Side Letters***

PBCA (or the General Partner) may from time to time enter into Side Letters with one or more Investors that provide such Investor(s) with additional and/or different rights (including, without limitation, with respect to the management fee, the Performance Allocation, the early withdrawal fee, expenses, access to information, minimum investment amounts and other liquidity terms) than such Investor(s) have pursuant to the Offering Documents of the Funds. Neither PBCA nor the General Partner will be required to notify any or all of the other Investors of any such written agreements or any of the rights and/or terms or provisions thereof, nor will PBCA or the General Partner be required to offer such additional and/or different rights and/or terms to any or all of the other Investors. The other Investors will have no recourse against the Funds, PBCA or the General Partner and/or any of their respective affiliates in the event that certain Investors receive additional and/or different rights and/or terms as a result of such Side Letters.

### ***Liability of a Limited Partner for the Return of Capital Contributions***

If the Funds should become insolvent, Investors may be obligated to return all or a portion of any distributions (including withdrawal proceeds) received from the Funds in an amount up to its aggregate capital contributions (including any income or gains thereon) to the Funds in order to pay such Investor's *pro rata* share of any Fund liabilities that arose while such Investor held Fund interests.

Under the Delaware Revised Uniform Limited Partnership Act (the "**Delaware Act**"), when an Investor receives a return of all or any part of such Investor's capital contribution, the Investor may be liable to a Fund for any sum, not in excess of such return of capital (together with interest), if at the time of such distribution the Investor knew that a Fund was prohibited from making such distribution pursuant to the Delaware Act.

***Lack of Insurance***

The assets of the Funds are not insured by any government or private insurer, except to the extent portions may be deposited in bank accounts insured by the United States Federal Deposit Insurance Corporation or with brokers insured by the Securities Investor Protection Corporation and such deposits and securities are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the Funds may be unable to recover all of its funds or the value of its deposited securities.

***Competition Generally***

The securities industry and the varied strategies and techniques to be engaged in by PBCA are extremely competitive and each involves a degree of risk. PBCA will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Further, lower fees for comparable services may be available from these or other firms.

***Market Volatility***

The profitability of the Funds substantially depends upon PBCA correctly assessing the future price movements of stocks, bonds, options and other financial instruments, and the movements of interest rates. PBCA cannot guarantee that it will be successful in accurately predicting those prices and interest rate movements.

***Investment Activities of the Funds***

PBCA's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by PBCA. Such factors include a wide range of economic, political, competitive, technological and other conditions (including natural disasters, acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Funds to realize profits. As a result of the nature of PBCA's investing activities, it is possible that the Funds' financial performance may fluctuate substantially over time and from period to period.

***Partnership's Business Could Be Hurt by Economic Downturns***

The Funds' business is affected by a number of economic factors, including the level of economic activity in the markets in which it operates. A decline in economic activity in the United States or internationally could materially affect the Funds' financial condition and results of operations. The securities industry is influenced by factors such as interest rates, inflation, employment rates, competition and other macroeconomic factors over which the Funds have no control. Any decline in economic activity as a result of these factors typically results in a decrease in the profitability of transactions in which the Funds intend to participate.

***Material Non-Public Information***

By reason of their responsibilities in connection with other activities of PBCA and/or its affiliates, the Principal or employees of PBCA and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

***Use of Automated Order Routing and Execution Systems Generally***

PBCA may use automated order routing and execution systems in its trading. Such systems are typically provided on an "as is" basis. Such systems may experience technical difficulties which may render them temporarily unavailable. In addition, such systems may fail to properly perform. Such failures may result in losses to the Funds, for which losses the providers of such services have disclaimed all liability. In an effort to mitigate such risks, PBCA intends to closely monitor trades executed through automated order routing and execution systems and the operation of the systems themselves.

***Electronic Trading Facilities***

PBCA may make use of electronic trading facilities (including ECNs), which are generally supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Trading on an electronic trading system (including an ECN) may differ not only from trading in an open-outcry market or telephonic market but also from trading on other electronic trading systems. PBCA, in undertaking transactions on an electronic trading system, will be exposed to risks associated with the system, including the failure of hardware and software. The result of any system failure may be that the Funds' order is either not executed according to its instructions or is not executed at all. The Funds' ability to limit or recover certain losses may be subject to limits on liability imposed by, without limitation, foreign or domestic law or regulation, the Funds' own or its broker's internet service provider, other systems providers, market factors, foreign or domestic banking or other market regulations and/or telephonic or other communications providers, foreign or domestic.

***Trading Errors***

PBCA's computerized trading systems rely on the ability of the Principal and employees of PBCA to accurately process such systems' outputs and to use the proper trading orders, including stop-loss or limit orders, to execute the transactions called for by the systems. In addition, PBCA relies on its staff to properly operate and maintain the computer and communication systems upon which the trading systems rely. PBCAs' systems are accordingly subject to human errors, including the failure to implement, or the inaccurate implementation of any of PBCAs' systems, in addition to errors in properly executing transactions. This could cause substantial losses on transactions, and any such losses could substantially and adversely affect the performance of the Funds.

***Timing Strategy***

To a certain extent, PBCA's strategy is one of timing. From time to time, PBCA may be unable to execute certain strategic trades when desired. Further, the timing of trades may be impacted by matters beyond PBCA's control, including, without limitation, errors or problems with respect to execution by its brokers, trade mechanisms or trading technology.

***Technology Risk***

PBCA's investment strategy may rely on the use of proprietary and non-proprietary software, data and intellectual property. Any such reliance on this technology and data is subject to a number of important risks. First, the Funds may be severely and adversely affected by the malfunction of the technology and/or data feed. For example, an unforeseeable software or hardware malfunction could occur, as a result of a virus or other outside force, or as result of a design flaw in PBCA's system or in its continued implementation. In the past, occurrences of this nature to other funds have sometimes resulted in dramatically negative consequences for the portfolio of the related fund. In addition, changes in the market for publicly available data or in regulatory reporting requirements could cause a severe diminution in the data available for the technology to operate as designed. Such events can

also have dramatically negative consequences for the Funds. Furthermore, if any of PBCA's software, hardware, data and/or other intellectual property is found to infringe on the rights of any third party, the Funds could be severely and adversely affected.

### ***Reliance on Computational Trading Systems***

Trading decisions will be based, at least in part, on computational analysis generated by PBCA. The profitability of computational analysis varies with the accuracy of the forecasts of price moves of the Funds' investments, whether short-term or long-term. No assurance can be given of the accuracy of the forecasts. In addition, the calculations that underlie PBCA's trading systems, methods, and strategies may involve extensive use of computers. In general, the use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing trade information and executing algorithms generated by human beings. In addition, while rare, data sources employed by PBCA for the generation of the trading signals may supply erroneous daily data, and an input error may generate an incorrect trading signal. No assurance is given that the trading decisions based on computer-generated information will produce profits for the Funds. It is possible that required data may not be delivered in a timely manner due to equipment malfunctions or other causes beyond the control of PBCA, including, without limitation, interruption or failure of telecommunication or digital transmission links, including delays or failures due to internet service provider(s), hostile network attacks, network congestion or other similar failures.

### ***Investments in Securities and Other Assets Believed to Be Undervalued***

PBCA may invest a portion of the Master Fund in securities and other assets that PBCA believes to be undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed. Economic conditions and any future major economic recession can severely disrupt the markets for such investments and significantly impact their value. In addition, any such economic downturn can adversely affect the ability of the issuers of debt obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Funds may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the funds of the Master Fund would be committed to the investments made, thus possibly preventing the Master Fund from investing in other opportunities.

### ***Potential Cybersecurity Breaches and Identity Theft***

PBCA relies on the use of information technology. PBCA's information and technology systems may be vulnerable to damage and/or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages, and/or catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although PBCA has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time and/or cease to function properly, PBCA and/or the Funds may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in PBCA's and/or the Funds' operations and may result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could

harm PBCA's and/or the Funds' reputation, subject any such entity and their respective affiliates to legal claims and/or otherwise affect their business and financial performance.

### **Leverage**

PBCA expects that the Funds will incur leverage in its investment program, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market price of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Master Fund purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Funds. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, the Funds' use of leverage would result in a lower rate of return than if the Funds were not leveraged.

If the amount of leverage which the Funds may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Funds' portfolios will have disproportionately large effects in relation to the Funds' capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional leverage will generally cause the net asset value of the Funds to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the leveraged capital fails to cover its cost to the Funds, the net asset value of the Funds will generally decline faster than would otherwise be the case.

Certain of the Master Fund's trading and investment activities in securities and other financial instruments may be subject to the Federal Reserve Board's ("**FRB**") margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by the PBCA, the Master Fund might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Master Fund's trading activities, the Funds, and not the Investors personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss.

### **Short Sales**

PBCA invests the Master Fund's assets in short sales. In the case of securities, short selling involves the sale of a security that the Master Fund does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Master Fund must borrow securities from a third-party lender. The Master Fund subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. A fund must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the fund a fee for the use of the fund's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Funds may be subject to substantial losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

### ***Options and Other Derivative Instruments***

PBCA may invest, from time to time, a portion of the Master Fund's assets in options and derivative instruments, including buying and writing puts and calls on some of the securities held by the Master Fund in an attempt to supplement income derived from those securities. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements depend primarily upon the price of the securities, indices, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Funds are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument or asset at the exercise price.

If a put or call option purchased by the Master Fund were permitted to expire without being sold or exercised, the Master Fund would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised, and the underlying instrument or asset would then be sold to the Master Fund at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised, and the underlying instrument or asset would then be sold by the Master Fund at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing "uncovered" options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Master Fund of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

***Specific Risks Associated with ETFs***

ETFs represent an interest in a passively managed portfolio of securities and financial instruments selected to replicate a securities or financial instruments index. Unlike open-end mutual funds, the shares of ETFs are not purchased and redeemed by investors directly with the ETF, but instead are purchased and sold through broker-dealers in transactions on an exchange. Because ETF shares are traded on an exchange, they may trade at a discount from or a premium to the net asset value per share of the underlying portfolio of securities or financial instruments. In addition to bearing the risks related to investments in securities or financial instruments, investors in ETFs intended to replicate an index bear the risk that the ETFs performance may not correctly replicate the performance of the index. Investors in ETFs, closed-end funds and other investment companies bear a proportionate share of the expenses of those funds, including management fees, custodial and accounting costs, and other expenses. As such, the Funds are subject to layering of such fees. Trading in ETF and closed-end fund shares also entails payment of brokerage commissions and other transaction costs.

***Investments in Small Capitalization and Unseasoned Companies***

PBCA's investment program contemplates that a portion of the Master Fund's portfolio may be invested in small and/or unseasoned companies with small market capitalization. While these companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and/or competitive strength of larger and/or more established companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Due to the lower trading volume of smaller company securities, the Master Fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time when making large sales.

***Healthcare Reform and Cost Control Initiatives***

Reform and cost control initiatives by third-party payors could reduce the prices that can be charged for biotechnology, pharmaceutical and healthcare products, which could limit the overall investment success of the Funds. In the United States, there have been, and PBCA expects there will continue to be, legislative and regulatory developments that modify the healthcare system in ways that have (and, in the case of future developments, could have) significantly affected the investment strategy of the Funds. Such legislation may limit the prices that can be charged for biotechnology, pharmaceutical and healthcare products developed by such companies and may limit commercial opportunities related thereto and reduce associated revenue and profits. In many countries, reimbursement, pricing and profitability of prescription pharmaceuticals and biopharmaceuticals are subject to government control. PBCA is unable to predict what additional legislation or regulation, if any, relating to the biotechnology, pharmaceutical and healthcare industries or third-party coverage and reimbursement may be enacted in the future or what effect such legislation or regulation would have on the business of the companies in which the Funds seeks to invest.

Moreover, managed care plans may continue to put pressure on the pricing of biotechnology, pharmaceutical and healthcare products. Cost control initiatives could decrease the price that a company receives for any of its future products, which could adversely affect profitability. These initiatives may also have the effect of reducing the resources that biotechnology, pharmaceutical and healthcare companies can devote to in-licensing product candidates and the research and development of new products, which could reduce a company's profitability. As a result of the nature of the Funds' investing activities, it is possible that the Funds' financial performance may fluctuate substantially from period to period.

***Additional Risks of Investing in the Biotechnology Sector***

Investments in biotechnology companies involve specific risks that can affect the performance of the Partnership. Certain companies within the biotechnology sector are subject to intense competition and rapid technological change, and may present risks not typical of investments made in other industry sectors, including the following:

- Many companies within the biotechnology sector face high research and development costs and obsolescence of their products. These factors may have a significant adverse effect on the financial condition and operating results of such companies.
- Many biotechnology companies may have limited operating histories and will likely incur significant net losses and may never be profitable.
- Biotechnology companies may also have erratic revenue patterns, which in turn may lead to significant volatility in their share prices.
- Frequently, biotechnology companies need to find reputable marketing partners to “validate” a technology and help fund the costs associated with product development.
- There are unique risks involved in biotechnology investments due to potential product liability and patent challenges.
- Companies in the biotechnology industry are often faced with a number of obstacles and issues, including regulatory burdens, and their securities may react similarly and move in unison to various market conditions. Among the key drivers of the biotechnology industry growth are the current and future state and federal legislative and regulatory climates. If state and federal legislative bodies or the FDA undertake new legislative and regulatory initiatives, such as biotechnology reform and cost control initiatives by third-party payors that impede, rather than promote, the growth of the biotechnology industry in the future, PBCA may have difficulty identifying attractive investment opportunities, and otherwise profitable investments could become unprofitable for the Funds.

The failure of a drug to gain regulatory approval, reimbursement or market acceptance will often cause the securities of companies associated with such drug to lose a very large percentage of their value in a very short period of time.

***Biotechnology Reform and Cost Control Initiatives***

Reform and cost control initiatives by third-party payors could reduce the prices that can be charged for biotechnology, pharmaceutical and healthcare products, which could limit the overall investment success of the Funds. In the United States, there have been, and PBCA expects there will continue to be, legislative and regulatory developments that modify the healthcare system in ways that have (and, in the case of future developments, could have) significantly affected the investment strategy of the Funds. Such legislation may limit the prices that can be charged for biotechnology, pharmaceutical and healthcare products developed by such companies and may limit commercial opportunities related thereto and reduce associated revenue and profits. In many countries, reimbursement, pricing and profitability of prescription pharmaceuticals and biopharmaceuticals are subject to government control. PBCA is unable to predict what additional legislation or regulation, if any, relating to the biotechnology, pharmaceutical and healthcare industries or third-party coverage and reimbursement may be enacted in the future or what effect such legislation or regulation would have on the business of the companies in which PBCA seeks to invest the assets of the Funds.

Moreover, managed care plans may continue to put pressure on the pricing of biotechnology, pharmaceutical and healthcare products. Cost control initiatives could decrease the price that a company receives for any of its future products, which could adversely affect profitability. These initiatives may also have the effect of reducing the resources that biotechnology, pharmaceutical and healthcare companies can devote to in-licensing product candidates and the research and development of new products, which could reduce a company's profitability. As a result of the nature of the Funds' investing activities, it is possible that the Funds' financial performance may fluctuate substantially from period to period.

### ***Event Risk Generally***

Certain investments made by PBCA on behalf of the Funds may be based on the anticipated outcomes of company specific or transaction specific situations, and certain other investments held by the Funds may be based on the anticipated outcomes of broader changes in markets or the economy. If the outcomes are not as anticipated (either because the change did not occur, did not occur in the manner or to the extent anticipated, or, in the worst case, because the outcome was contrary to what had been anticipated), the Funds could suffer losses and loss of opportunities for alternative investments.

### ***Event-Driven Investments and Special Situations***

PBCA may make investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In managing the Funds, PBCA may also purchase a substantial percentage, or all, of the outstanding shares of an individual company. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. In connection with such transactions (or otherwise), the Funds may acquire investments on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued financial instrument are fixed when the Funds enters into the commitment. Such instruments are subject to changes in market value prior to their delivery. Overall, there is a potential risk of loss by the Funds of its entire principal in the investments described in this paragraph.

### ***Custody and Clearing Brokerage Risk***

There are risks involved in dealing with one or more custodians or clearing brokers who settle the Master Fund trades. The Funds maintain custody accounts with prime brokers and custodians. Although PBCA monitors the prime brokers to the Master Fund (Morgan Stanley & Co. LLC and J.P. Morgan Clearing Corp) and believes they are appropriate prime brokers and custodians, there is no guarantee that the prime brokers or custodians, or any other prime broker or custodian that the Master Fund may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of the assets of the Funds, would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

### ***Uncertainty in the U.S. and Global Financial Markets***

Similar to the upheavals in the United States and global financial markets that began in 2008, the recent banking crisis has the possibility of extraordinary and unprecedented uncertainty and instability in such

markets. There can be no assurances that conditions in the global financial markets will not adversely affect one or more of a Fund's investments, its access to capital or leverage, or its overall performance.

***Bank Deposits Risk***

Deposits maintained at an FDIC-insured bank are covered up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Any deposits over \$250,000 in cash at a single bank may be lost in the event the bank fails. Any deposit in excess of the maximum amount insured by the FDIC is an uninsured deposit. Diversifying banking relationships could serve to minimize the potential uncertainty and destabilizing effect on the Firm's operations because of concern regarding the financial viability of a single banking institution. In addition, valuation of companies may experience significant price declines, volatility, and liquidity concerns as a result of short- and long-term financing to continue operations at normal levels.

***Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues***

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on investments held by the Funds and could adversely affect the Firm's ability to fulfill such Fund's investment objectives. The extent of the impact of any public health emergency on a Fund's investments and operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, unemployment levels, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency could materially and adversely impact the value and performance of a Fund's investments, the Firm's ability to source, manage and divest investments on behalf of a Fund, and the ability to achieve investment objectives, all of which could result in significant losses to the investors. In addition, the operations of a Fund and the Firm could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

***Armed Conflict, Terrorism and Catastrophes***

Armed conflict, acts of terrorism and catastrophes could subject the Funds to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism, armed conflict, war, and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Funds and Investors' interests therein.

**Item 9: Disciplinary Information**

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PBCA has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of PBCA have been subject to such action.

**Item 10: Other Financial Industry Activities and Affiliations**

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Neither PBCA nor the General Partner are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither PBCA nor the General Partner are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

The General Partner is an affiliated entity of PBCA.

Neither PBCA nor the General Partner recommend or select other investment advisers for the Funds.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### ***Code of Ethics***

PBCA has adopted a Code of Ethics pursuant to Rule 204A-1 of the Advisers Act (the “**Code**”) that establishes certain standards of conduct and rules for its employees and/or access persons (as applicable). A summary of the Code is provided below. All access persons of PBCA must acknowledge annually that they understand and agree to the terms of the Code.

The Code incorporates the following general principles that all employees are expected to uphold at all times:

- Employees must place the interest of clients first;
- Employees must conduct all personal securities transactions in a manner consistent with the Code and seek to avoid both actual conflicts of interest and the appearance thereof, and;
- Employees may not take inappropriate advantage of their own positions with PBCA for their own personal benefit.

### ***Personal Trading***

The Code provides that access persons must obtain preclearance from the CCO prior to transacting in any individual publicly-traded security for their own accounts or accounts that the access person controls or which the access person may be deemed to have beneficial ownership (such as an account of a spouse or minor child). Further, access persons are prohibited from purchasing individual publicly-traded securities in the healthcare sector, not limited to life sciences. PBCA believes that this mitigates the most likely conflict of interest that may arise from personal trading activity.

Access persons are permitted to buy and sell private securities (such as investments in hedge fund, private equity funds and private companies) with prior approval. Access persons are also permitted to invest in exchange traded funds, mutual funds and U.S. and non-U.S. government issued obligations without prior approval. In addition, PBCA may permit access persons to maintain accounts that are managed on a discretionary basis by a third party if the access person has no direct or indirect influence or control over the investments for the account.

Exceptions to the personal trading policy are handled on a case-by-case basis. For example, an exception may be granted for legacy positions that were held by an access person (or a covered family member) prior to that access person joining PBCA or to sell an investment that was originally made when the company was private and subsequently became publicly traded. In such a case, the access person would be required to obtain prior approval to sell such positions and may be subject to other restrictions as deemed appropriate by PBCA under the circumstances.

### ***Gifts and Entertainment, Political Activities and Outside Activities***

The Code provides that gifts and entertainment must be reasonable in light of industry practices and should never be given or received if the purpose is to influence the recipient. PBCA requires access persons to report or receive approval for the receipt or giving of gifts and entertainment under certain circumstances.

The Code also generally requires access persons to obtain prior approval before the access person, a spouse or certain other immediate family members makes a political contribution or engages in certain campaign-related fundraising activities. This policy is intended to prevent scenarios whereby an access person may contribute or engage in an activity for the selection of PBCA as an investment adviser for a governmental equity.

Finally, the Code provides that, without prior approval, access persons are generally not permitted to engage in certain types of outside business activities. This policy is intended to prevent material conflicts of interest that could arise from an access person's personal activities.

### ***Participation or Interest in Client Transactions***

PBCA, its principals and employees do not purchase or sell any securities for their own accounts to or from the Funds. However, subject to Funds' investment guidelines and restrictions, PBCA may affect rebalancing or internal cross transactions. In such cases, PBCA may determine that it would be in the best interests of the Master Fund and one or more other accounts to transfer a security from one account to another (each such transfer, a "**Cross Trade**") for a variety of reasons, including tax purposes, liquidity purposes, to rebalance the portfolios of the accounts, or to reduce transaction costs that may arise in an open market transaction. If PBCA decides to engage in a Cross Trade, PBCA will determine that the trade is in the best interests of both of the accounts involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those accounts.

If PBCA is to execute Cross Trades, the Firm intends to do so with the assistance of a broker-dealer that executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross transaction between two Funds or clients may occur as an "internal cross", where PBCA instructs the custodian for the accounts to book the transaction at the price determined in accordance with PBCA's Valuation Policy. If PBCA effects an internal cross, PBCA will not receive any fee in connection with the completion of the transaction.

### ***Additional Considerations***

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities, partners and personnel in connection with client transactions. PBCA has established written policies and procedures, which contain procedures to monitor and resolve conflicts and will endeavor to resolve conflicts in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

## **Item 12: Brokerage Practices**

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PBCA has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

For the purposes of this Item 12, the SMA should also be considered to have the same brokerage practices as the Master Fund.

Portfolio transactions for the Master Fund are allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services

that are beneficial to PBCA and/or certain Funds or clients, but not beneficial to all accounts. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, PBCA may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: the ability of the brokers and dealers to effect the transaction; the brokers' or dealers' facilities, reliability and financial responsibility; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the prices and commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Master Fund by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. PBCA need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither PBCA nor the Master Fund separately compensates any broker or dealer for any of these other services. PBCA maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

### ***Soft Dollar Usage***

The term "soft dollars" refers to commissions accumulated by brokers based on an investment manager's transactions, on behalf of its clients, which may be used by the investment manager to acquire various products or services. The use of client commissions, known as soft dollars, to pay for these products and services, including research and brokerage products and services, presents investment managers with potential conflicts of interest and may give incentives for investment managers to use certain brokers without regard to their obligations to their clients.

PBCA may use soft dollars generated by the Master Fund's brokerage transactions to pay for brokerage and research products and services that fall within the safe harbor afforded by Section 28(e) of the Exchange Act ("**Section 28(e)**"). Section 28(e) provides a "safe harbor" to investment managers who use soft dollars to obtain investment research and brokerage products and services. In order to qualify for the safe harbor, the products or services must provide assistance to the investment manager in the performance of its investment decision-making responsibilities, or must relate to the execution, clearance or settlement of a trade.

### ***Trade Aggregation and Allocation Policies and Procedures***

Although PBCA intends that all trades will be done in the Master Fund, PBCA may advise other private funds or clients in the future. If so, it will be the policy of PBCA to allocate investment opportunities to the Master Fund and to any other accounts on a fair and equitable basis, to the extent practical and in accordance with the Master Fund's or other accounts' applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among those accounts for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: whether the risk-return profile of the proposed investment is consistent with an account's objectives, the potential for the proposed investment to create an imbalance in an account's portfolio, the liquidity requirements of an account, potentially adverse tax consequences, regulatory restrictions that would or could limit an account's ability to participate in a proposed investment, and the need to re-size risk in an account's portfolio.

PBCA will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to, the Master Fund or other accounts solely because PBCA purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to, another account or the Master Fund if, in its reasonable opinion, such security,

transaction or investment opportunity does not appear to be suitable, practicable or desirable for the Master Fund or the other account.

In particular, when the Master Fund is ramping up its investment or trading strategies, it may receive larger allocations of certain securities than the other accounts in order to obtain its desired risk and portfolio size. Conversely, when other accounts ramp up their investment and trading strategies, the Master Fund may receive reduced or no allocations of certain securities.

### **Trade Errors**

Trade errors involving transactions in any account directly or indirectly held by the Master Fund or any derivatives contract or other similar agreement of the Master Fund and/or any trading vehicle (each, a “**Trade Error**”) may occur. Trade Errors include the placement of orders (either purchases or sales) in excess of, or less than, the amount of securities the account intended to trade; the sale of a security when it should have been purchased; the purchase of a security when it should have been sold; the purchase or sale of the wrong security; and the purchase or sale of a security for the wrong account and the post-settlement discovery of such purchase or sale. Trades implemented as a result of faulty data, systems, coding, modeling or analysis, trades that are properly executed but result in losses, errors committed by other persons (including brokers and custodians), or that are otherwise caused by human error other than those specifically described above, are not considered Trade Errors. The loss of an investment opportunity is not considered a Trade Error.

Such errors may result in losses or gains. PBCA will use reasonable efforts to detect such errors prior to settlement and promptly correct them. To the extent that an error is caused by a counterparty, such as a broker-dealer, PBCA will use reasonable efforts to recover any losses associated with such error from the counterparty.

Pursuant to the exculpation and indemnification provided by the Master Fund and the Feeder Funds to PBCA and its affiliates and personnel, PBCA and its affiliates and personnel will generally not be liable to the Master Fund or the Feeder Funds for any act or omission, absent bad faith, gross negligence, willful misconduct or actual fraud of such person, and the Master Fund and Feeder Funds will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Master Fund or Feeder Funds, absent bad faith, gross negligence, willful misconduct or actual fraud of such person. As a result of these provisions, the Master Fund and Feeder Funds (and not PBCA) will benefit from any gains resulting from Trade Errors and other errors and will be responsible for any losses (including additional trading costs) resulting from Trade Errors and other errors, absent bad faith, gross negligence, willful misconduct or actual fraud of the relevant person. PBCA will not offset any such gains and losses resulting from Trade Errors and other errors unless the underlying transactions constitute a single transaction or closely related series of transactions. PBCA will reimburse the Master Fund or Feeder Funds for losses for which PBCA is responsible under the exculpation provisions. Given the potentially large volume of transactions executed by PBCA on behalf of the Master Fund, Investors should assume that Trade Errors and other errors will occur and that, to the extent permitted by applicable law and under the Funds’ respective Offering Documents, the Funds will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of PBCA’s personnel.

### **Item 13: Review of Accounts**

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PBCA performs daily reviews of the Clients’ portfolios, as well as various other periodic formal and informal reviews.

Investors in the Funds generally receive monthly performance summaries, as well as monthly account statements. PBCA may, in its discretion, provide certain investors with additional information on a more frequent basis upon request. In addition, PBCA issues investors tax reports, as well as audited

financial statements concerning their respective Funds within 120 days of the end of each Fund's fiscal year.

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**Item 14: Client Referrals and Other Compensation**

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Although PBCA does not currently have and does not intend to have any third-party placement agents, PBCA in the future may agree to pay third-party placement agents that refer investors to a Fund. The compensation typically paid to those placement agents includes a portion of the management fee and/or Performance Allocation earned by PBCA in respect of Investors referred to by such placement agents. Investors are generally not subject to any incremental fees in connection with the referral unless incremental fees are payable by the investor directly to the placement agent under the terms of the separate agreement between the investor and the placement agent (to which PBCA is not a party).

The referral arrangements described above involve potential conflicts of interest because the placement agent may have an incentive to favor sales of interests in a Fund over sales of other investment products for which the agent will receive no or lower fees. Prospective and existing investors should consider this potential conflict of interest when evaluating any recommendation or referral by an agent regarding an investment in a Fund.

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**Item 15: Custody**

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PBCA will comply with the requirements of the Rule 206(4)-2 of the Advisers Act ("**Custody Rule**") with regards to PBCA's custody of the Funds' assets. PBCA is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from the Funds or a client account.

PBCA does not expect to be required to comply (or expects to be deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that (i) each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB), (ii) each Fund's audited financial statements are prepared in accordance with U.S. GAAP, and (iii) each Fund distributes its audited financial statements to all Investors in the relevant Fund(s) within 120 days of the end of its fiscal year.

PBCA is not deemed to have custody of the SMA's funds and securities.

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**Item 16: Investment Discretion**

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PBCA has full discretionary authority to manage the Clients, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions paid. PBCA's authority is limited by its own internal policies and procedures and each Client's investment guidelines. These terms are set out in the Offering Documents of each Fund and the Investment Management Agreement of the SMA.

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**Item 17: Voting Client Securities**

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***Proxy Voting Policies and Procedures***

PBCA has established proxy voting policies and procedures designed to ensure that proxies, to the extent PBCA has been delegated authority to vote such proxies on behalf of the Funds and elects to

vote, are voted in the best interest of the Clients. When voting proxies, PBCA must identify and address material conflicts that may arise between PBCA's interests and those of the Clients. Specifically, PBCA monitors the potential for conflicts of interest that might arise from personal relationships that PBCA or its employees may have with parties involved in the vote, significant Investor relationships with those parties, and other special circumstances.

PBCA will vote proxies as it deems necessary or appropriate, on a case by case basis. Prior to voting, the CCO will determine whether the conflict is material to the vote and will either resolve the conflict or refer the proxy vote to an outside service for its independent consideration.

Investors or clients may also contact PBCA to request a copy of its proxy voting policy.

***Class Action Participation Procedures***

To the extent that PBCA has discretion to participate in class action lawsuits filed against companies or issuers in which the Funds are invested, PBCA may participate in such class action lawsuits if it believes that such participation is in the best interest of the Funds on a case-by-case basis.

**Item 18: Financial Information**

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PBCA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors and has not been the subject of a bankruptcy proceeding.